

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 NEA-10 EA-07 IO-10

L-03 SS-15 NSC-05 TAR-01 AF-06 ARA-06 /118 W

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R 151810Z OCT 75

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TO SECSTATE WASHDC 9765

INFO ALL EC CAPITALS 1199

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: COUNCIL OF AGRICULTURAL MINISTERS, OCTOBER 13-14,
1975

REF: (A) EC BRUSSELS 08801

(B) EC BRUSSELS 08200

(C) EC A-342

(D) TOFAS 231

1. BEGIN SUMMARY: IN A RELATIVELY SHORT AND UNABRASIVE SESSION, THE COUNCIL AGREED ON A FURTHER DEVALUATION OF THE UK AND IRISH "GREEN" POUNDS, APPROVED IN PRINCIPLE THE SALE OF 80,000 TONS OF NON-FAT DRY MILK POWDER (NFD) BOUGHT INTO INTERVENTION BEFORE APRIL 1, 1974, AND DECIDED ON SUBSIDIES TO BE GIVEN TO HOPS PRODUCERS FOR THE 1974 HARVEST. THE AGRICULTURAL MINISTERS ALSO GAVE THEIR CONSENT TO THE EC-EGYPT AGREEMENT ALTHOUGH GERMANY MAINTAINED RESERVATIONS ON THE PRICE FORK PROVISIONS FOR WHEAT. THE FILE WILL NOW GO TO THE FOREIGN MINISTERS FOR FINAL APPROVAL. (DETAILS REPORTED SEPTTEL).

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THE ABSENCE OF A POLITICAL WILL TO MOVE AHEAD ON WINE WAS

AGAIN APPARENT AND ONCE MORE THE COUNCIL DID NOTHING IN THIS SECTOR. HOWEVER, THE COMMISSION ADVANCED A NEW PROPOSAL FOR THE UPROOTING OF POOR QUALITY VINEYARDS AND, IN ADDITION, INITIATED A PROCEDURE WHICH COULD ULTIMATELY RESULT IN BRINGING THE FRENCH WINE TAX BEFORE THE COURT OF JUSTICE. THE COUNCIL EXAMINED COMMISSION DOCUMENTS ON NEW ZEALAND BUTTER QUOTAS, THE EXCLUSIVE UTILIZATION OF DAIRY FATS AND PROTEINS, AND THE SUSPENSION OF INWARD PROCESSING ARRANGEMENTS FOR BUTTER AND BUTTEROIL AND SENT THESE MATTERS BACK TO THE SPECIAL AGRICULTURAL COMMITTEE. THE COMMISSION WAS ASKED TO REPORT ON THE SITUATION OF THE EC APPLE MARKET BY THE DUTCH DELEGATION. END SUMMARY.

2. GREEN POUND: MOST OF THE INTEREST GENERATED BY THE MEETING CENTERED ON THE DEVALUATION OF THE GREEN POUND (THE REPRESENTATIVE EXCHANGE RATE USED TO CONVERT SUPPORT PRICES, LEVIES, ETC. FROM UNITS OF ACCOUNT TO NATIONAL CURRENCIES). THE EXTENT OF IRISH DEVALUATION CONSTITUTED THE MAIN POINT OF ARGUMENT AND THERE WAS REPORTEDLY A POINTED, IF NOT VERY SERIOUS, EXCHANGE BETWEEN THE GERMANS AND THE IRISH ON THE IMPETUS FURTHER DEVALUATION OF THE IRISH POUND MIGHT GIVE TO IRISH BEEF EXPORT TO GERMANY. THE CHANGES IN THE IRISH AND UK GREEN RATES WILL RAISE SUPPORT PRICES IN THOSE COUNTRIES, REDUCE FEOGA PAYMENTS TO THE UK FOR IMPORT SUBSIDIES (A SUBSTANTIAL AMOUNT--EC EXPENDITURES FOR MONETARY COMPENSATORY AMOUNTS ARE ESTIMATED AT 350 MILLION U.A. IN 1975) AND REDUCE TAXES ON IRISH EXPORTS.

3. A 5.8 PERCENT DEVALUATION OF THE UK GREEN POUND WAS AGREED UPON - ESSENTIALLY WHAT THE BRITISH WANTED AND WHAT THE COMMISSION PROPOSED; THIS DEVALUATION WILL REDUCE BRITISH MONETARY COMPENSATORY AMOUNTS (MCA'S) FROM 11.7 TO 5.1 PERCENT (AT THE CURRENT POUND MARKET VALUE). FOR THE IRISH GREEN POUND, THERE WILL BE A 2.22 PERCENT DEVALUATION, REDUCING IRISH MCA'S FROM 5.9 TO 3.5 PERCENT. THIS REDUCTION WAS SOMEWHAT GREATER THAN REQUESTED BY THE COMMISSION WHICH HAD INITIALLY PROPOSED A DEVALUATION OF LESS THAN 1 PERCENT. IN RETURN FOR THIS CONCESSION TO IRISH INTERESTS, MCA'S ON UK-IRISH TRADE WILL BE ABOLISHED DESPITE THE STILL EXISTING GAP BETWEEN THE IRISH AND UK POUNDS. THIS MEANS THAT THE IRISH LIMITED OFFICIAL USE

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FARM PRODUCTS WILL NO LONGER BENEFIT FROM UK IMPORT SUBSIDIES -- A DISADVANTAGE WHICH WILL PRESUMABLY BE MORE THAN OFFSET BY THE BENEFITS ACCRUING TO THE IRISH FROM THE INCREASE IN UK PRICES AND THE REDUCTION IN EXPORT TAXES APPLICABLE TO IRISH PRODUCTS. THIS IS THE THIRD DEVALUATION OF THE GREEN POUND THIS YEAR; FOR BOTH THE IRISH AND THE UK, THE CUMULATIVE DEVALUATION OF THE GREEN RATE SINCE THE FIRST OF THE YEAR IS ABOUT 12.5 PERCENT (REF C). THE APPLICATION

OF NEW GREEN RATES WILL BE STAGGERED AS FOLLOWS:

-----FOR GRAINS OTHER THAN SOFT WHEAT 10/27/75
-----FOR SOFT WHEAT 7/1/76
-----FOR BEEF AND VEAL 1/5/76
-----FOR ALL OTHER PRODUCTS 10/27/75

4. NFDM: THE COUNCIL AGREED IN PRINCIPLE TO TAKE MEASURES TO EFFECT THE SALE OF 80,000 TONS OF NFDM WHICH WERE PLACED IN INTERVENTION BEFORE APRIL 1, 1974. HALF OF THIS AMOUNT IS TO BE EXPORTED IN THE FORM OF ANIMAL FEEDS (MOST OF IT IS EXPECTED TO GO TO EASTERN EUROPE) AND THE OTHER HALF WILL BE INCORPORATED INTO MIXED FEEDS (REPORTEDLY CALF FEEDS) WITHIN THE COMMUNITY BY MEANS OF SPECIAL SUBSIDIES. THE SPECIAL AGRICULTURAL COMMITTEE HAS NOW BEEN ASKED TO WORK OUT THE DETAILS OF THE MEASURES. THE COUNCIL BRIEFLY CONSIDERED INTERMEDIATE REPORTS ON THE ESTABLISHMENT OF REGULATIONS REQUIRING THE EXCLUSIVE USE OF DAIRY FATS AND PROTEINS IN CERTAIN DAIRY TYPE PRODUCTS AND THE EXCLUSION OF BUTTER AND BUTTEROIL FROM INWARD PROCESSING ARRANGEMENTS (NFDM HAS ALREADY BEEN EXCLUDED). THESE PROPOSALS WERE SENT BACK TO THE SPECIAL AGRICULTURE COMMITTEE FOR FURTHER WORK. (THE COMMISSION'S PROPOSAL IN THE DAIRY SECTOR, WHICH WERE MADE IN JULY, WERE DISCUSSED IN REF B).

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TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 NEA-10 EA-07 IO-10

L-03 SS-15 NSC-05 TAR-01 AF-06 ARA-06 /118 W

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PASS AGRICULTURE

5. WINE: MERCIFULLY, THERE WAS NO CHARADE OF PROFOUND DEBATE ON THE WINE QUESTION AT THIS MEETING. THE ITALIAN DELEGATION INDICATED THAT IT WAS NOT WILLING TO DISCUSS THE NEW WINE CAP UNTIL THE FRENCH TAX WAS REMOVED. THE ITALIAN POSITION SEEMS TO BE AS MUCH MOTIVATED BY A DESIRE TO IMPROVE THEIR LEVERAGE IN THE STOCKTAKING AS BY INDIGNATION OVER THE FRENCH TAX. THE FRENCH ARE, OF COURSE, CONTENT WITH THE STATUS QUO AND, IN THE MEANTIME, THE MARKET SITUATION IN BOTH COUNTRIES CONTINUES TO IMPROVE AS A RESULT OF A SMALLER-THAN- EXPECTED HARVEST. WINE WILL BE DISCUSSED NEXT AT THE NOVEMBER 10-11 AG COUNCIL MEETING; THE COMMISSION APPARENTLY HOPES THAT THE FRENCH TAX WILL BE REMOVED BY THAT TIME.

6. THE COMMISSION ANNOUNCED THAT IS HAS SENT ANOTHER LETTER TO THE FRENCH GOVERNMENT, GIVING THE FRENCH GOVERNMENT 10 DAYS TO RESPOND. THIS ACTION IS THE FIRST STEP IN AN ARTICLE 169 PROCEDURE AGAINST FRANCE. UNDER THIS PROCEDURE, SHOULD FRANCE STILL RETAIN THE TAX AFTER 10 DAYS, THE COMMISSION WOULD THEN SEND AN "AVIS MOTIVE" TO THE FRENCH GOVERNMENT WHICH GIVES THEM A FEW MORE DAYS TO TAKE CORRECTIVE ACTION. IF
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NO SUCH ACTION IS TAKEN, THE CASE WOULD BE BROUGHT BEFORE THE COURT OF JUSTICE USING AN ACCELERATED DECISION PROCEDURE.

7. THE COMMISSION ALSO PRESENTED A NEW PROPOSAL FOR THE UPROOTING OF POOR QUALITY VINEYARDS. GRANTS OF 1500 U.A. PER HECTARE WOULD BE PAID IN THE 1975/76 WINE MARKETING YEAR (1400 U.A. AND 1300 U.A. PER HECTARE IN 1976/77 AND 1977/78, RESPECTIVELY.) REPLANTING WOULD NOT BE ALLOWED FOR AT LEAST 10 YEARS. THE COMMISSION ESTIMATES THAT 120,000 HECTARES WOULD BE UPROOTED OVER THE 3-YEAR PERIOD, COSTING ABOUT 57 MILLION U.A. ANNUALLY, (OF WHICH FEOGA WOULD PAY 50 PERCENT). THE COMMISSION ESTIMATES THAT IN THE ABSENCE OF THIS PROGRAM THE ANNUAL COST OF THESE VINEYARDS TO FEOGA (THROUGH THE PAYMENT OF DISTILLATION PREMIUMS) WOULD BE ABOUT 60 MILLION U.A.

8. NZ BUTTER: THE COUNCIL BRIEFLY CONSIDERED THE COMMISSION'S RATHER GENEROUS PROPOSAL TO EXTEND THE SPECIAL QUOTA FOR NZ BUTTER BEYOND 1977. (QUOTAS OF 129,000, 121,000 AND 113,000 M.T. HAVE BEEN PROPOSED FOR 1978, 1979, AND 1980, RESPECTIVELY). SEVERAL MEMBER STATES (IN PARTICULAR, THE NETHERLANDS, IRELAND AND FRANCE) EXPRESSED THE VIEW THAT THE NZ QUOTAS WOULD BE MORE APPROPRIATELY DEFINED IN TERMS OF MARKET SHARES RATHER THAN ABSOLUTE AMOUNTS. (BRITISH IMPORTS ARE, OF COURSE, EXPECTED

TO FALL AS UK BUTTER PRICES ARE FURTHER ALIGNED WITH THE EC COMMON PRICE). THEY ALSO NOTED THAT NEW ZEALAND HAD NOT RECENTLY MET ITS QUOTAS. THIS PROPOSAL WAS ALSO REFERRED BACK TO THE SPECIAL AGRICULTURAL COMMITTEE FOR FURTHER WORK.

9. APPLES: UPON REQUEST BY THE DUTCH, THE COMMISSION IS TO REPORT ON THE SITUATION OF THE EC APPLE MARKET AT THE NEXT AG COUNCIL. EC APPLE PRODUCTION IN 1975 IS NOW ESTIMATED TO ABOUT 17 PERCENT HIGHER THAN THE PREVIOUS YEAR'S PRODUCTION AND SEVERAL FARMER PROTESTS AGAINST LOW PRICES HAVE OCCURED. THE DUTCH ARE APPARENTLY SEEKING THE NEGOTIATION OF VOLUNTARY EXPORT RESTRAINTS WITH APPLE EXPORTERS IN THE SOUTHERN HEMISPHERE (SOUTH AFRICA, ARGENTINA, AUSTRALIA AND NEW ZEALAND). IN 1973 (ANOTHER YEAR OF HIGH EC PRODUCTION), SUCH ARRANGEMENTS RESULTED IN ABOUT A 15 PERCENT REDUCTION IN IMPORTS.

10. HOPS: THE COUNCIL APPROVED THE SUBSIDIES PROPOSED BY LIMITED OFFICIAL USE

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THE COMMISSION FOR THE 1974 HOPS HARVEST. THESE SUBSIDIES WERE REPORTED IN REF. D.MORRIS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING AGENDA, MINISTERIAL MEETINGS, AGRICULTURAL PROGRAMS, AGRICULTURAL POLICIES, AGRICULTURAL AGREEMENTS, DEVALUATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU09252
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750357-1049
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751052/aaaabuhy.tel
Line Count: 248
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 EC BRUSSELS 8801
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 24 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 APR 2003 by ShawDG>; APPROVED <29 DEC 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COUNCIL OF AGRICULTURAL MINISTERS, OCTOBER 13-14, 1975
TAGS: EAGR, UK, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006